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ZNR UUUUU ZZH
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FM AMEMBASSY ADDIS ABABA
TO RUEHC/SECSTATE WASHDC IMMEDIATE 9614
INFO RUCNIAD/IGAD COLLECTIVE PRIORITY
RUEAIIA/CIA WASHINGTON DC PRIORITY
RHMFISS/CJTF HOA PRIORITY
RUEKDIA/DIA WASHINGTON DC PRIORITY
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UNCLAS SECTION 01 OF 03 ADDIS ABABA 000773

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FOR AF/AS DR. FRAZER, DAS YAMAMOTO AND USAID AA PIERSON

E.O. 12958: N/A

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SUBJECT: ETHIOPIA TOUR D'HORIZON: PM MELES SAYS CITY HALL
STILL OPEN, GENOCIDE CHARGE TO BE DROPPED, DELAYED WORLD
BANK PACKAGE NEEDED

11. (SBU) Summary and Action request: The Prime Minister appeared to enjoy the give and take of the conversation with the EU Troika (Austrian, Finish ambassadors and Pol Counselor for EC), French ambassador as head of the Ambassadors' Donor Group and U.S. Charge. Meles was up-beat on the opposition forming the CUD/P party and even urged the donors to support the effort financially. In another sign that constructive engagement is working, Meles said that the genocide charge and CUD detainees would be dropped, as would charges against some of those abroad. Even when donor diplomats assured him that they would continue to push for the release of the CUD and civil society leaders, the PM remained relaxed, avoiding "guerrilla mode". Meles agreed to give the elected City Counselors another month to obtain the minimum 69 verified signatures needed to take control of City Hall; 63 signatures had been verified thus far. Meles is concerned by the possible damage to the economy caused by World Bank slowness in approving the \$200 million "Protecting and Basic Services" program that will replace the Direct Budgetary Support funds provided by the Bank and the UK. The French Ambassador assured Meles that after the recent Development Assistance Group (DAG) meeting in Paris there was consensus to move ahead with long-term donor engagement with Ethiopia. Action request: Post recommends that Department principals encourage World Bank officials to move the PBS package to the approval stage. Further large scale disturbances are unlikely, given the cost of the November riots and aftermath to the government's image and pocket book. Moreover, the signs are positive that the government is committed to giving the opposition political space and the ability to re-register using its old identity as the CUD. This will prepare the way for the opposition to be effective in City Hall, Parliament and eventually in local elections. End Summary.

Profound Concern over Delayed World Bank Package

12. (U) President of the ADG French Ambassador Gompertz explained that the DAG meeting in Paris resulted in:

-- Broad agreement from the donors to engage with Ethiopia on assistance because of its need and its record of high value for assistance dollars.

-- Redirecting previous Direct Budgetary Support (DBS) through a new mechanism called "Protecting Basic Services" that involved disbursement at the local level; the package

needed to move ahead urgently.

-- Renewed emphasis on a dialogue between the government and the donors on governance.

¶3. (U) Meles responded that he was profoundly concerned about the World Bank's delay in approving the PBS \$200 million plus loan. He blamed the delay on donors who are not fully on board with continuing assistance to Ethiopia. He said that as a leader of a liberation movement, he had to look at tactics. In his view the EU Commission (EC), despite indicating that it was prepared to assist Ethiopia, might be joining the others to delay the talks. Since Ethiopia was the junior partner, Meles said, it would be better to cut its losses now rather than trying to get all the donors on board. Ambassadors assured Meles that Paris had led to a change in attitude because the donors recognized the need to stay engaged. Meles said he feared that the EC agenda was a) carrot and stick, not a partnership; b) release of the CUD detainees; and c) governance in the form of micro-management or a shadow government. This approach prevented predictability and catered to those who wished to move slowly on commitment of assistance in order to punish Ethiopia.

¶4. (SBU) The donors who provided DBS had agreed in their previous dialogues that Ethiopia was doing a good job in using these funds, Meles pointed out. Ethiopia's pro-poor results, according to Meles, returned 1.3% on every dollar - an unusually high return. Yet, donors continued to apply higher standards to Ethiopia. The World Bank was supposed to be non-political, but it was using political criteria in the case of Ethiopia. He would like to move forward with the World Bank while Ethiopia continues to resolve its problems

ADDIS ABAB 00000773 002 OF 003

with the EC. Meles said he was especially appreciative of British and American continued assistance and partnership. Finally, the PM agreed would continue its governance dialogue with the DAG in good faith. Comment and Action Request: Post recommends that Department Principals engage World Bank officials to convey the view that Ethiopia is moving ahead on recreating an environment conducive to political pluralism and improved governance. This progress reduces the possibility of internal confrontation other than sporadic disturbances related to the trial of the CUD leaders. With a severe drought in the south and high oil prices resulting in a rising cost of living, World Bank and other donor resources are critical to preventing a deterioration in economic conditions and to keeping the GOE on its present, positive course.

Another Month for CUDP to Take Over Addis Ababa

¶5. (SBU) Charge Huddleston laid out the case for allowing the opposition more time to collect the 69 signatures of elected City counselors so that they can take over the management of Addis Ababa. Of the 70 who had signed the petition circulated by the City Council Organizing Committee in February and March, only 63 could be verified, as some signatures were invalid and other elected council members had not shown up to verify their signatures. Unfortunately, the campaign of the Diaspora (with financial resources and threats) had hampered Ayele Chamiso's organizing efforts. It had become increasingly clear that the re-establishment the Coalition for Unity and Democracy Party (CUD/P) would be critical to collecting sufficient signatures, and more importantly, gaining the backing of the citizens of Addis.

¶6. (SBU) Meles responded that he would present the situation to the Parliament the week of March 20th. He would recommend that Parliament allow the City Counselors another month to collect the needed signatures. This would also allow them sufficient time to form the new CUD/P. If the organizers failed in their effort, an alternative solution

for running Addis would be presented to the Parliament at that time. In reply to a question about the NEB's recent rejection of an application to recreate the September 2005 CUDP merger, Meles said the NEB denied the request because neither the constituent parties (e.g. Rainbow, AEUP and EDL) nor the CUD/P had met the legal requirement of holding General Assemblies and presenting the needed documentation. Meles said he does not want the CUD/P to be reconstituted as attempted in September 2005 because he fears it would be controlled or influenced by the detained CUD leaders. He is comfortable, however, with a newly formed CUD/P. He even suggested that donors offer small-scale funding to support those seeking to register the CUPD.

Genocide and Some Charges Against those Abroad to be Dropped

17. (SBU) Ambassador Gompertz asked the PM if thought had been given to throwing out the genocide or high treason charges against CUD detainees. Meles replied that there was no chance at all for the high treason charge being dropped. Although donors had "already judged us to be guilty", Meles said, "you will discover that the CUD leaders like Berhanu are guilty. We have, as I told you in front of Berhanu, a video of Berhanu calling for treasonous acts." (Comment: During the referenced meeting several months ago, Meles told Berhanu that he had proof that he had contemplated overthrowing the government. Berhanu said that although someone at a rally had called for storming the palace, it had not been him. Meles replied that nevertheless, Berhanu had not contradicted the suggestion.) Meles then acknowledged that there had been no genocide committed in Ethiopia. He had thought that the charge filed was "attempted genocide," but had recently discovered that prosecutors had indeed alleged genocide because there is no such charge as "attempted genocide" in Ethiopian law. Therefore, Meles concluded, the charge of genocide will be dropped. (Note: Dropping the genocide large still leaves detainees ineligible for bail. End note.)

ADDIS ABAB 00000773 003 OF 003

18. (SBU) Meles said that, in his view, most of those charged would be found guilty; however, because using some information in a court of law would compromise "sources and methods," charges against those abroad might be dropped. (Comment: Meles may have been referring to VOA employees charged with the CUD group. End comment.) Finally, Meles added that the prosecution should begin presenting evidence after the session scheduled for April 22; the trial might then run for two to three months.
HUDDLESTON